

LAMAR COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2013

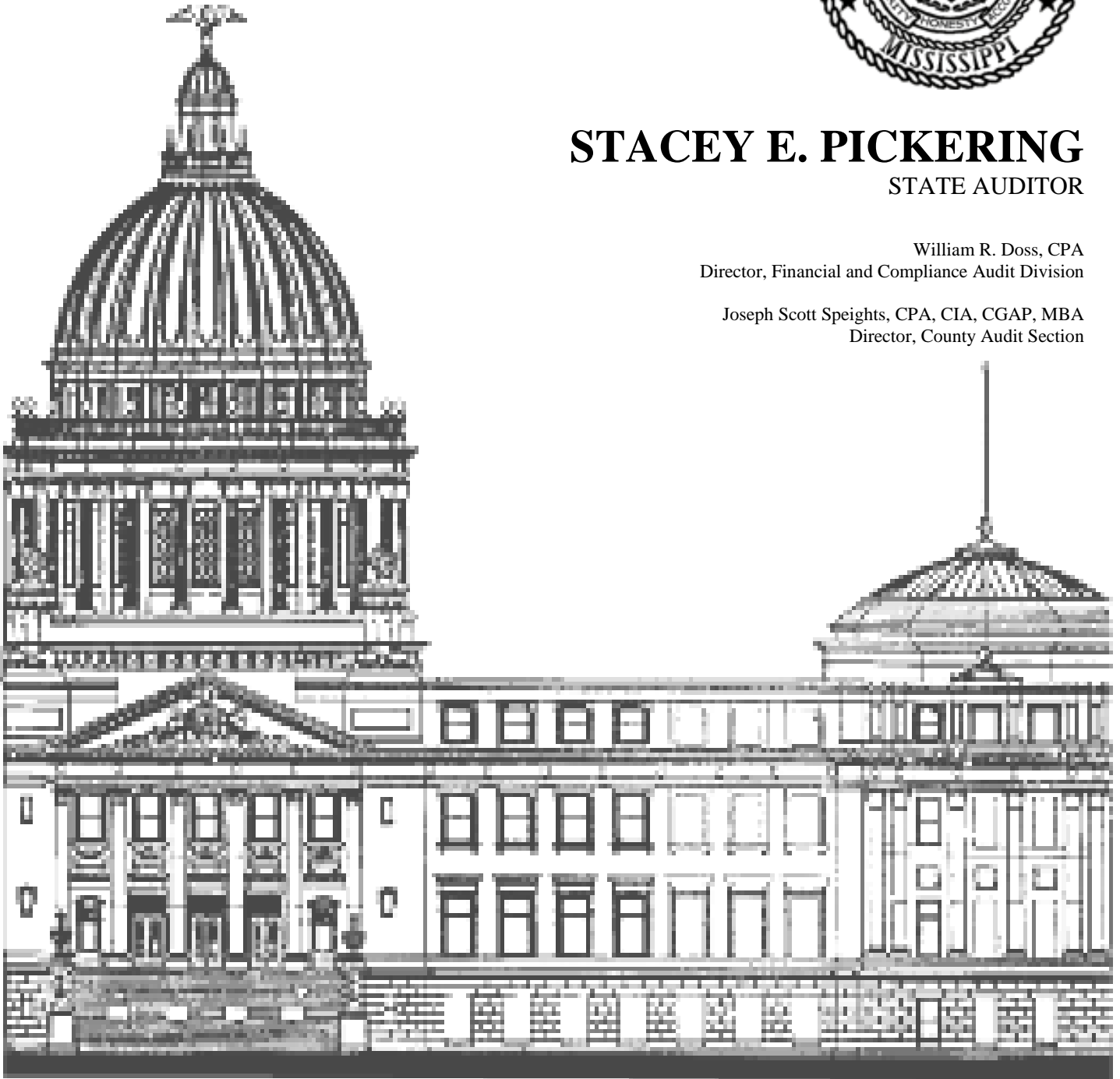


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

March 18, 2015

Members of the Board of Supervisors
Lamar County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 financial and compliance audit report for Lamar County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Lamar County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Lamar County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

LAMAR COUNTY

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LAMAR COUNTY

FINANCIAL SECTION

LAMAR COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Lamar County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lamar County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Lamar County, Mississippi, as of September 30, 2013, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on the General Fund

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable or the aging of these fines receivable for the Justice Court and Circuit Court. Adequate subsidiary records were not maintained and preserved for the Justice Court and Circuit Court fines receivable aging schedules at September 30, 2013. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported in the General Fund at \$166,241, as of September 30, 2013. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined had we been able to examine evidence to determine the net realizable value of the fines receivable reported in the General Fund, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of Lamar County, Mississippi, as of September 30, 2013, and the changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on Governmental Activities

As discussed in Note 9 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered to be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Lamar County, Mississippi, as of September 30, 2013, and the change in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Countywide Road Maintenance Fund and the aggregate remaining fund information of Lamar County, Mississippi, as of September 30, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

Lamar County, Mississippi, has omitted the Management's Discussion and Analysis and the Schedule of Funding Progress – Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

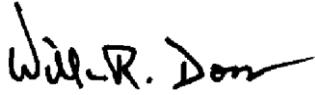
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lamar County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2015, on our consideration of Lamar County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lamar County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 18, 2015

LAMAR COUNTY

FINANCIAL STATEMENTS

LAMAR COUNTY

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LAMAR COUNTY
Statement of Net Position
September 30, 2013

Exhibit 1

	Primary Government Governmental Activities
ASSETS	
Cash	\$ 16,208,108
Property tax receivable	22,430,170
Fines receivable (net of allowance for uncollectibles of \$2,559,056)	166,241
Intergovernmental receivables	1,389,945
Other receivables	57,700
Capital assets:	
Land and construction in progress	6,379,055
Other capital assets, net	125,505,930
Total Assets	<u>172,137,149</u>
LIABILITIES	
Claims payable	1,583,702
Retainage payable	91,807
Intergovernmental payables	720,959
Accrued interest payable	33,483
Deferred revenue	22,430,170
Other payables	230,560
Claims and judgments payable	378,037
Long-term liabilities	
Due within one year:	
Capital debt	854,268
Due in more than one year:	
Capital debt	7,442,163
Non-capital debt	491,308
Total Liabilities	<u>34,256,457</u>
NET POSITION	
Net investment in capital assets	123,588,554
Restricted for:	
Expendable:	
General government	522,428
Public safety	1,543,965
Public works	4,315,963
Culture and recreation	7,922
Economic development and assistance	291,064
Debt service	205,591
Unrestricted	7,405,205
Total Net Position	<u>\$ 137,880,692</u>

The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY
Statement of Activities
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 7,830,004	2,313,056	502,692		(5,014,256)
Public safety	9,379,080	653,315	164,432	217,353	(8,343,980)
Public works	16,922,035		1,146,786	1,305,060	(14,470,189)
Health and welfare	610,348				(610,348)
Culture and recreation	1,343,193				(1,343,193)
Conservation of natural resources	121,688				(121,688)
Economic development and assistance	629,535		96,553		(532,982)
Interest on long-term debt	237,595				(237,595)
Total Governmental Activities	<u>\$ 37,073,478</u>	<u>2,966,371</u>	<u>1,910,463</u>	<u>1,522,413</u>	<u>(30,674,231)</u>
General revenues:					
Property taxes				\$	24,062,978
Road & bridge privilege taxes					687,119
Grants and contributions not restricted to specific programs					3,920,108
Unrestricted interest income					124,728
Miscellaneous					1,309,346
Total General Revenues					<u>30,104,279</u>
Changes in Net Position					<u>(569,952)</u>
Net Position - Beginning					130,542,635
Prior period adjustments					7,908,009
Net Position - Beginning, as restated					<u>138,450,644</u>
Net Position - Ending				\$	<u>137,880,692</u>

The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY
Balance Sheet - Governmental Funds
September 30, 2013

Exhibit 3

	<u>Major Funds</u>			
	<u>General</u>	<u>Countywide</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Road Maintenance</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash	\$ 9,385,471	1,301,648	5,520,989	16,208,108
Property tax receivable	12,935,000	5,010,000	4,485,170	22,430,170
Fines receivable (net of allowance for uncollectibles of \$2,559,056)	166,241			166,241
Intergovernmental receivables	415,311	947,934	26,700	1,389,945
Other receivables	56,754	296	650	57,700
Due from other funds		80,970	70,245	151,215
Total Assets	<u>\$ 22,958,777</u>	<u>7,340,848</u>	<u>10,103,754</u>	<u>40,403,379</u>
LIABILITIES				
Claims payable	\$ 658,904	544,008	380,790	1,583,702
Retainage payable	91,807			91,807
Intergovernmental payables	706,845			706,845
Due to other funds	165,329			165,329
Deferred revenue	13,101,241	5,957,934	4,485,170	23,544,345
Other payables	230,560			230,560
Claims and judgments payable	378,037			378,037
Total Liabilities	<u>15,332,723</u>	<u>6,501,942</u>	<u>4,865,960</u>	<u>26,700,625</u>
Fund balances:				
Restricted for:				
General government			522,428	522,428
Public safety			1,543,965	1,543,965
Public works		838,906	2,529,123	3,368,029
Culture and recreation			7,922	7,922
Economic development and assistance			291,064	291,064
Debt service			239,074	239,074
Committed to:				
Culture and recreation			104,218	104,218
Unassigned	<u>7,626,054</u>			<u>7,626,054</u>
Total Fund Balances	<u>7,626,054</u>	<u>838,906</u>	<u>5,237,794</u>	<u>13,702,754</u>
Total Liabilities and Fund Balances	<u>\$ 22,958,777</u>	<u>7,340,848</u>	<u>10,103,754</u>	<u>40,403,379</u>

The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2013

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 13,702,754
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$68,044,570.	131,884,985
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	166,241
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(8,787,739)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(33,483)
Some accrued receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>947,934</u>
Total Net Position - Governmental Activities	\$ <u><u>137,880,692</u></u>

The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY

Exhibit 4Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2013

	Major Funds			
	General	Countywide	Other	Total
	Fund	Road Maintenance	Governmental	Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 13,995,160	5,206,205	4,861,613	24,062,978
Road and bridge privilege taxes		687,119		687,119
Licenses, commissions and other revenue	1,075,678		19,732	1,095,410
Fines and forfeitures	562,384		584,931	1,147,315
Intergovernmental revenues	2,572,777	1,082,416	2,749,857	6,405,050
Charges for services	90,544		562,231	652,775
Interest income	84,005	15,824	24,899	124,728
Miscellaneous revenues	644,816	28,082	542,028	1,214,926
Total Revenues	19,025,364	7,019,646	9,345,291	35,390,301
EXPENDITURES				
Current:				
General government	8,617,891		732,742	9,350,633
Public safety	6,022,961		3,543,517	9,566,478
Public works		7,717,011	5,822,520	13,539,531
Health and welfare	511,735		113,805	625,540
Culture and recreation	941,085		417,689	1,358,774
Conservation of natural resources	121,688			121,688
Economic development and assistance	278,406		278,982	557,388
Debt service:				
Principal	655,995	394,535	989,373	2,039,903
Interest	104,176	11,481	127,041	242,698
Total Expenditures	17,253,937	8,123,027	12,025,669	37,402,633
Excess of Revenues over (under) Expenditures	1,771,427	(1,103,381)	(2,680,378)	(2,012,332)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			133,267	133,267
Proceeds from sale of capital assets	22,252	120,656	25,000	167,908
Transfers in	248,956	858,023	1,953,367	3,060,346
Transfers out	(1,193,764)		(1,866,582)	(3,060,346)
Total Other Financing Sources and Uses	(922,556)	978,679	245,052	301,175
Net Changes in Fund Balances	848,871	(124,702)	(2,435,326)	(1,711,157)
Fund Balances - Beginning	6,777,183	963,608	7,673,120	15,413,911
Fund Balances - Ending	\$ 7,626,054	838,906	5,237,794	13,702,754

The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,711,157)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$6,866,247 exceeded capital outlays of \$5,182,732 in the current period.	(1,683,515)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$94,420 and the proceeds from the sale of \$167,908 in the current period.	(73,488)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	70,871
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$2,039,903 exceeded debt proceeds of \$133,267.	1,906,636
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Increase in compensated absences payable	(32,336)
Decrease in accrued interest payable	5,103
Under the modified accrual basis of accounting used in the Governmental Funds, only current financial resources are reported as revenues. However, in the Statement of Activities, which is presented on the accrual basis, revenues are reported when earned, regardless of when the revenues are available. Thus, the change in net assets differs from the change in fund balances by the amount of the revenues that were deferred in the Governmental Funds.	<u>947,934</u>
Change in Net Position of Governmental Activities	\$ <u><u>(569,952)</u></u>

The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2013

Exhibit 5

		<u>Agency Funds</u>
ASSETS		
Cash	\$	501,036
Due from other funds		<u>14,114</u>
Total Assets	\$	<u><u>515,150</u></u>
LIABILITIES		
Amounts held in custody for others	\$	501,036
Intergovernmental payables		<u>14,114</u>
Total Liabilities	\$	<u><u>515,150</u></u>

The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY

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LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lamar County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Lamar County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- Lamar County Economic Development District
- Lamar County Library Association
- Northeast Lamar Fire Protection District
- Pine Ridge Fire Protection District
- Central Lamar Fire Protection District
- Southwest Lamar Fire Protection District
- Oak Grove Fire Protection District
- Beaver Lake Fire Protection District
- Oloh Fire Protection District
- Southeast Lamar Fire Protection District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

The Statement of Net Position presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for countywide road maintenance.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist.

Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County’s highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

M. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

N. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The provisions of these standards have been incorporated into the financial statements and the notes.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities – Governmental Activities.

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in capital assets, net.	\$ 7,920,329
To correct prior year errors in long-term debt.	(12,320)
Total prior period adjustments	\$ <u>7,908,009</u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$16,709,144, and the bank balance was \$16,972,107. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk.

However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2013:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Countywide Road Maintenance Fund	General Fund	\$ 80,970
Other Governmental Funds	General Fund	70,245
Agency Funds	General Fund	14,114
Total		\$ 165,329

The receivables represent the tax revenue collected in September, 2013 but not settled until October, 2013. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 248,956
Countywide Road Maintenance Fund	General Fund	300,000
Countywide Road Maintenance Fund	Other Governmental Funds	558,023
Other Governmental Funds	General Fund	893,764
Other Governmental Funds	Other Governmental Funds	1,059,603
Total		\$ 3,060,346

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2013, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 357,898
Disaster grants – public assistance (presidentially declared disasters)	947,934
Emergency management performance grants	43,745

LAMAR COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Description	Amount
Alcohol open container requirements	21,300
State and community highway safety	13,668
Other	5,400
Total Governmental Activities	\$ <u>1,389,945</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2013:

Governmental activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,755,184				1,755,184
Construction in progress	<u>7,554,836</u>	<u>2,624,774</u>		<u>(5,555,739)</u>	<u>4,623,871</u>
Total non-depreciable capital assets	<u>9,310,020</u>	<u>2,624,774</u>	<u>0</u>	<u>(5,555,739)</u>	<u>6,379,055</u>
<u>Depreciable capital assets:</u>					
Infrastructure	141,171,498			9,071,194	150,242,692
Buildings	16,816,141	885,000		5,259,150	22,960,291
Improvements other than buildings	237,169				237,169
Mobile equipment	13,361,554	1,467,924	716,579	3,106,103	17,219,002
Furniture and equipment	2,448,495	205,034	18,300	76,399	2,711,628
Leased property under capital leases	<u>1,813,846</u>			<u>(1,634,128)</u>	<u>179,718</u>
Total depreciable capital assets	<u>175,848,703</u>	<u>2,557,958</u>	<u>734,879</u>	<u>15,878,718</u>	<u>193,550,500</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	41,710,023	5,077,413		1,789,294	48,576,730
Buildings	3,545,803	457,682		153,009	4,156,494
Improvements other than buildings	119,358	9,490			128,848
Mobile equipment	10,786,907	1,154,222	644,921	1,571,465	12,867,673
Furniture and equipment	2,029,945	135,094	16,470	21,013	2,169,582
Leased property under capital leases	<u>1,245,028</u>	<u>32,346</u>		<u>(1,132,131)</u>	<u>145,243</u>
Total accumulated depreciation	<u>59,437,064</u>	<u>6,866,247</u>	<u>661,391</u>	<u>2,402,650</u>	<u>68,044,570</u>
Total depreciable capital assets, net	<u>116,411,639</u>	<u>(4,308,289)</u>	<u>73,488</u>	<u>13,476,068</u>	<u>125,505,930</u>
Governmental activities capital assets, net	\$ <u>125,721,659</u>	<u>(1,683,515)</u>	<u>73,488</u>	<u>7,920,329</u>	<u>131,884,985</u>

*Adjustments are to correct errors in the capital asset records and to reflect certain routine reclassifications of paid off capital leases and completed construction in progress.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 383,769
Public safety	956,614
Public works	5,442,023
Health and welfare	2,958
Culture and recreation	13,765
Economic development and assistance	<u>67,118</u>
Total governmental activities depreciation expense	<u>\$ 6,866,247</u>

Commitments with respect to unfinished capital projects at September 30, 2013, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Old Hwy 11 Community Center	\$ 145,092	July, 2014
Circuit Courthouse Renovation	141,562	July, 2014
District 5 Community Center	289,200	May, 2015
Simms Road Bridge	217,883	June, 2015
4 th Street/Jackson Road	3,764,616	December, 2015
Purvis-Baxterville Road	330,163	June, 2015
Pine Burr Road Bridge	14,195	December, 2014
Purvis-Columbia Road Bridge	1,054,795	June, 2017

As of September 30, 2013, the County had the following commitments:

On October 16, 2001, the Lamar County Board of Supervisors entered into a tax pledge agreement with the City of Hattiesburg to finance the City's Tax Increment Limited Obligation Bonds. The bonds were issued for the development and construction of necessary infrastructure improvements located within the city and county in the amount of \$1,000,000. The County pledged to provide annual payments equal to or lesser of (a) \$40,000 per year or (b) one-half the debt service on the City's Tax Increment Limited Obligation Bonds. The amount paid was \$26,184 in the 2013 fiscal year. The County's payments are paid annually from the revenues generated by tax increment financing.

On June 24, 2004, the Lamar County Board of Supervisors entered into a tax pledge agreement with the City of Hattiesburg to finance the City's Tax Increment Limited Obligation Bonds in the amount of \$4,500,000. The bonds were issued for the construction of various infrastructure improvements in connection with the Turtle Creek Crossing Project located within the city and county. The County pledged to pay an amount sufficient to pay 25% of the principal and interest on the bonds. The amount paid was \$140,894 in the 2013 fiscal year. The County's payments are paid annually from the revenues generated by tax increment financing.

(7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2013, to January 1, 2014. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Claims and Judgments Payable.

On August 29, 2013, Lamar County, Mississippi was ordered to pay \$337,088 plus interest by court order of the Chancery Court of Forrest County, Mississippi as judgment in a lawsuit against the County. On September 13, 2013, Lamar County paid \$337,088 plus interest to date of \$40,949 to the plaintiff in accordance with the court order. However, on January 9, 2014, these checks were returned to the County by the plaintiff, and the plaintiff subsequently appealed the case to the Mississippi Supreme Court. The County voided these returned checks as cancelled warrants on January 31, 2014. The expenditure is deemed valid by the County in the September 30, 2013 fiscal year as the County in good faith followed the instructions provided by the order of the court. To account for the County's payments being subsequently returned, an entry was made to record the cash in bank in the 2013 fiscal year, and report a claims and judgments payable for the \$378,037 owed. The County asserts that this amount is owed per the court order.

(8) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2013:

Classes of Property		Governmental Activities
Mobile equipment	\$	179,718
Less: Accumulated depreciation		145,243
Leased Property Under Capital Leases	\$	34,475

The following is a schedule by years of the total payments due as of September 30, 2013:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2014	\$ 21,221	3,271
2015	22,015	2,464
2016	9,290	1,628
2017	9,659	1,244
2018	10,043	845
2019 – 2023	21,297	431
Total	\$ 93,525	9,883

(9) Other Postemployment Benefits.

Plan Description

The Lamar County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Lamar County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the Plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

(10) Long-term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
2012 G.O. Bonds – Courthouse	\$ 2,750,000	2.00%	09/2022
Lamar County G.O. Refunding Bonds, Series 2010	2,860,000	3.95%	08/2021
Lamar County G.O. Refunding Bonds –Fire trucks	<u>1,085,000</u>	2.05%	04/2022
Total General Obligation Bonds	<u>\$ 6,695,000</u>		
B. Capital Leases:			
Used 2005 vacuum tanker	\$ 25,706	3.58%	08/2015
2005 fire rescue truck	<u>67,819</u>	3.97%	01/2020
Total Capital Leases	<u>\$ 93,525</u>		
C. Other Loans:			
Capital improvement loan (Pine Ridge fire truck)	55,783	2.00%	04/2017
Capital improvement loan (Southwest fire truck)	47,390	2.00%	03/2017
Capital improvement loan (Central Lamar fire truck)	179,874	3.00%	10/2028
Southwest fire station	38,650	2.00%	12/2030
Hickory Grove pumper	124,169	2.00%	02/2023
Oloh fire station	109,680	2.00%	02/2031
Northeast fire station	134,438	2.00%	03/2031
Southwest CAP loan	47,966	2.00%	11/2030
Southwest fire station	65,142	2.00%	11/2030
Hickory Grove fire station	62,878	2.00%	11/2030
Pine Ridge fire station	50,960	2.00%	12/2030
Central Lamar CAP loan	113,055	2.00%	12/2031
Rockhill CAP loan	93,511	2.00%	06/2032
Beaver Lake fire truck	98,328	2.00%	06/2022
Northeast fire aerial unit	<u>286,082</u>	2.00%	06/2022
Total Other Loans	<u>\$ 1,507,906</u>		

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2014	\$ 710,000	160,425	123,047	31,004
2015	725,000	147,287	125,630	28,429
2016	750,000	132,399	128,268	25,791
2017	775,000	115,221	130,904	23,083
2018	800,000	96,743	106,604	20,344
2019 – 2023	2,935,000	162,786	491,673	67,564
2024 – 2028			282,088	27,569
2029 – 2033			119,692	3,319
Total	\$ 6,695,000	814,861	1,507,906	227,103

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2013, the amount of outstanding debt was equal to 1.18% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments*	Balance Sept. 30, 2013	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 458,972	32,336			491,308	
General obligation bonds	7,675,000		980,000		6,695,000	710,000
Capital leases	271,286		190,081	12,320	93,525	21,221
Other loans	2,244,461	133,267	869,822		1,507,906	123,047
Total	\$ 10,649,719	165,603	2,039,903	12,320	8,787,739	854,268

*Adjustment is to correct error in prior year balances.

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Countywide Road Maintenance Fund, Bridge Maintenance Fund, Sanitation and Fire District Coordination Fund.

(11) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(12) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Lamar County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. The County has appropriated \$194,227 for its support in fiscal year 2013.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Lamar County Board of Supervisors appoints one of the nine members of the board of directors. The County appropriated \$85,000 for its support in fiscal year 2013.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Lamar County Board of Supervisors appoints one of the 27 members of the board of directors. The County appropriated \$22,998 for support of the district in fiscal year 2013.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Lamar County Board of Supervisors appoints two of the 16 members of the college board of trustees. The County appropriated \$971,955 for maintenance and support of the college in the fiscal year 2013.

Pearl and Leaf River Rails-to-Trails Recreational District operates in a district composed of the Counties of Forrest, Jefferson Davis and Lamar, and the Cities of Bassfield, Hattiesburg, Prentiss and Sumrall. The Lamar County Board of Supervisors appoints one of the seven members of the board of directors. Each entity provides the amount of support designed by statute which is one-half mill for each participating entity. The County appropriated \$110,243 for support of the district in fiscal year 2013.

(13) Defined Benefit Pension Plan.

Plan Description. Lamar County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$1,564,756, \$1,330,393 and \$1,210,274, respectively, equal to the required contributions for each year.

(14) Subsequent Event.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after that Statement of Net Position date require disclosure in the accompanying notes. Management of Lamar County evaluated the activity of the County through March 18, 2015, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
6/26/2014	1.49%	\$ 350,000	Capital lease	Ad valorem taxes

LAMAR COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LAMAR COUNTY

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LAMAR COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 12,884,734	13,002,800	13,959,303	956,503
Licenses, commissions and other revenue	748,650	862,550	1,029,972	167,422
Fines and forfeitures	502,000	527,000	538,879	11,879
Intergovernmental revenues	1,903,173	1,687,000	2,553,506	866,506
Charges for services	120,000	120,000	90,544	(29,456)
Interest income	175,000	125,000	82,951	(42,049)
Miscellaneous revenues	380,600	381,200	634,241	253,041
Total Revenues	<u>16,714,157</u>	<u>16,705,550</u>	<u>18,889,396</u>	<u>2,183,846</u>
EXPENDITURES				
Current:				
General government	7,340,623	7,596,184	8,269,997	(673,813)
Public safety	5,933,335	6,166,063	6,060,125	105,938
Health and welfare	524,959	542,977	508,189	34,788
Culture and recreation	912,666	949,944	922,660	27,284
Conservation of natural resources	124,581	124,581	121,516	3,065
Economic development and assistance	273,794	311,265	281,721	29,544
Debt service:				
Principal	894,581	823,025	823,074	(49)
Interest		105,926	105,926	
Total Expenditures	<u>16,004,539</u>	<u>16,619,965</u>	<u>17,093,208</u>	<u>(473,243)</u>
Excess of Revenues over (under) Expenditures	<u>709,618</u>	<u>85,585</u>	<u>1,796,188</u>	<u>1,710,603</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets			23,483	23,483
Transfers in	469,000	310,000	248,956	(61,044)
Transfers out	(1,050,000)	(850,000)	(1,193,764)	(343,764)
Total Other Financing Sources and Uses	<u>(581,000)</u>	<u>(540,000)</u>	<u>(921,325)</u>	<u>(381,325)</u>
Net Change in Fund Balance	128,618	(454,415)	874,863	1,329,278
Fund Balances - Beginning	<u>4,347,000</u>	<u>5,613,000</u>	<u>5,203,174</u>	<u>(409,826)</u>
Fund Balances - Ending	<u>\$ 4,475,618</u>	<u>5,158,585</u>	<u>6,078,037</u>	<u>919,452</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

LAMAR COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,996,000	4,890,000	5,193,357	303,357
Road and bridge privilege taxes	600,000	600,000	687,119	87,119
Intergovernmental revenues	804,000	805,000	1,030,335	225,335
Interest income	35,000	35,000	15,528	(19,472)
Miscellaneous revenues	800	900	64,896	63,996
Total Revenues	<u>6,435,800</u>	<u>6,330,900</u>	<u>6,991,235</u>	<u>660,335</u>
EXPENDITURES				
Current:				
Public works	6,523,353	7,168,001	7,844,638	(676,637)
Debt service:				
Principal	406,017	394,535	394,535	
Interest		11,481	11,481	
Total Expenditures	<u>6,929,370</u>	<u>7,574,017</u>	<u>8,250,654</u>	<u>(676,637)</u>
Excess of Revenues over (under) Expenditures	<u>(493,570)</u>	<u>(1,243,117)</u>	<u>(1,259,419)</u>	<u>(16,302)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			128,481	128,481
Compensation for loss of capital assets			7,340	7,340
Transfers in	210,000	965,000	858,023	(106,977)
Total Other Financing Sources and Uses	<u>210,000</u>	<u>965,000</u>	<u>993,844</u>	<u>28,844</u>
Net Change in Fund Balance	(283,570)	(278,117)	(265,575)	12,542
Fund Balances - Beginning	<u>1,500,000</u>	<u>1,300,000</u>	<u>1,567,223</u>	<u>267,223</u>
Fund Balances - Ending	<u>\$ 1,216,430</u>	<u>1,021,883</u>	<u>1,301,648</u>	<u>279,765</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

LAMAR COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2013

UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and the major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	Countywide Fund
Budget (Cash Basis)	\$ 874,863	(265,575)
Increase (Decrease)		
Net adjustments for revenue accruals	134,737	13,246
Net adjustments for expenditure accruals	<u>(160,729)</u>	<u>127,627</u>
GAAP Basis	\$ <u><u>848,871</u></u>	<u><u>(124,702)</u></u>

LAMAR COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2013

UNAUDITED

D. Excess of Actual Expenditures Over Budget in Individual Funds.

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2013:

<u>Fund</u>		<u>Excess</u>
General Fund	\$	473,243
Special Revenue Fund:		
Countywide Road Maintenance Fund		676,637

The General Fund and Countywide Road Maintenance Fund are in violation of Section 19-11-17, Miss. Code Ann. (1972). However, the County has no liability associated with these violations.

LAMAR COUNTY

SUPPLEMENTAL INFORMATION

LAMAR COUNTY

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LAMAR COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority			
Community development block grants/state's program and non-entitlement grants in Hawaii	14.228	R-110-037-01-GZ	\$ 1,230
Community development block grants/state's program and non-entitlement grants in Hawaii	14.228	1127-10-037-PF-01	176,869
Community development block grants/state's program and non-entitlement grants in Hawaii	14.228	R-1030-3702-KED	2,500
Subtotal			<u>180,599</u>
Home investment partnerships program	14.239	1220-M08-SG-280-303	80,000
Home investment partnerships program	14.239	1217-M05-SG-280-AD-303-1	16,553
Subtotal			<u>96,553</u>
Total U.S. Department of Housing and Urban Development			<u>277,152</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	BR NBIS 078 B(37)	<u>20,650</u>
U.S. Department of Transportation - National Highway Traffic Safety Administration/ Passed-through the Mississippi Department of Public Safety			
State and community highway safety	20.600	13-OP-137-1	<u>19,932</u>
Alcohol open container requirements	20.607	13-TA-137-1	<u>49,379</u>
Total U.S. Department of Transportation			<u>89,961</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency			
Disaster grants - public assistance (presidentially declared disasters)*	97.036	FEMA-4101-DR-MS	<u>985,252</u>
Emergency management performance grants	97.042	N/A	<u>43,745</u>
U.S. Department of Homeland Security			
Assistance to firefighters grant (Direct)	97.044	EMW-2011-FR-00371	14,305
Assistance to firefighters grant (Direct)	97.044	EMW-2011-FR-0052	81,841
Subtotal			<u>96,146</u>
Total U.S. Department of Homeland Security			<u>1,125,143</u>
Total Expenditures of Federal Awards			<u>\$ 1,492,256</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

* Denotes major federal award program

LAMAR COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2013

Operating Expenditures, Cash Basis:

Salaries	\$	710,151
Expendable Commodities:		
Gasoline and petroleum products		135,301
Repair parts		41,701
Tires		31,312
Maintenance		5,404
Solid waste disposal fees		433,611
Uniforms		14,002
Telephone and utilities		6,321
Supplies		11,805
Equipment		123,205
Solid Waste Cash Basis Operating Expenditures		1,512,813

Full Cost Expenses:

Indirect administrative costs		1,750
Depreciation on equipment		47,651
Net effect of other accrued expenses		<u>2,524</u>

Solid Waste Full Cost Operating Expenses	\$	<u><u>1,564,738</u></u>
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LAMAR COUNTY

OTHER INFORMATION

LAMAR COUNTY

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LAMAR COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2013
UNAUDITED

Name	Position	Company	Bond
Mike Backstrom	Supervisor District 1	Ohio Casualty Insurance Co.	\$100,000
Warren Byrd	Supervisor District 2	Ohio Casualty Insurance Co	\$100,000
Joe Bounds	Supervisor District 3	Ohio Casualty Insurance Co	\$100,000
Phillip Carlisle	Supervisor District 4	Ohio Casualty Insurance Co	\$100,000
Dale Lucas	Supervisor District 5	Ohio Casualty Insurance Co	\$100,000
Chuck Bennett	County Administrator	Ohio Casualty Insurance Co	\$100,000
Wayne Smith	Chancery Clerk	Ohio Casualty Insurance Co	\$100,000
Jordan Norris	Purchase Clerk	Ohio Casualty Insurance Co	\$75,000
Loretta Sones	Assistant Purchase Clerk	Ohio Casualty Insurance Co	\$50,000
Charles A. Bennett	Assistant Purchase Clerk	Ohio Casualty Insurance Co	\$50,000
Pamela Lingo	Assistant Purchase Clerk	Ohio Casualty Insurance Co	\$50,000
Jacqueline Pierce	Receiving Clerk	Ohio Casualty Insurance Co	\$75,000
Joey Walker	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Mary Ann Hollingsworth	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Sharon Herrin	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Judy Anderson	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Condra Morrow	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Tara Coggins	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Curtis Jefferson	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Delane Martin	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Dean Smith	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Stanley Ray born	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Jane Hemby	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Robin Duncan	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Terry Bass	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Cheryl Woods	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Debra Collins	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Karlee Clinton	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Regina Breazeale	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Jackie Madden	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Ryan Pigott	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Heather Strange	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Toni Adkins	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
John Bounds	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Frank Macias	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Kevin Martin	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Melissa McClendon	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Jennifer McMorrow	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Frank Santmyer	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Cynthia Watzlavik	Assistant Receiving Clerk	Ohio Casualty Insurance Co	\$50,000
Emilee Davis	Inventory Control Clerk	Ohio Casualty Insurance Co	\$75,000
Jake Sones	Road Manager	Ohio Casualty Insurance Co	\$50,000
Wayne Hale	Constable	Ohio Casualty Insurance Co	\$50,000
Leighton Chance Curry	Constable	Ohio Casualty Insurance Co	\$50,000
Danny Edwards	Constable	Ohio Casualty Insurance Co	\$50,000

LAMAR COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2013
UNAUDITED

Name	Position	Company	Bond
Leslie Wilson	Circuit Clerk	Ohio Casualty Insurance Co	\$100,000
Danny Rigel	Sheriff	Ohio Casualty Insurance Co	\$100,000
William Anderson	Justice Court Judge	Ohio Casualty Insurance Co	\$100,000
Denton Plumlee	Justice Court Judge	Ohio Casualty Insurance Co	\$100,000
Charles Greer	Justice Court Judge	Ohio Casualty Insurance Co	\$100,000
Sandra Owen Barrett	Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Julia Knue	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Malissa Cameron	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Jane Hemby	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Anita McQueen	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Melissa Roies	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Sonya Broome	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
James "Jim" Perry	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Jason Alexander	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Adam Kessler	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Matthew Spears	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
James "Mike" Purvis	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Brad Weathers	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Jimmie Smith	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Annie Lane Stuart	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Doug Boutwell	Deputy Justice Court Clerk	Ohio Casualty Insurance Co	\$50,000
Jack Smith	Tax Assessor-Collector	Ohio Casualty Insurance Co	\$100,000

LAMAR COUNTY

SPECIAL REPORTS

LAMAR COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Lamar County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lamar County, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 18, 2015. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that includes the financial data for its component units. The report is also qualified on the governmental activities because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America. Additionally, the report includes a qualified opinion on the General Fund because the County did not maintain and preserve adequate subsidiary records documenting the existence and valuation of the Justice Court and Circuit Court fines receivable, net and the aging of these receivables at September 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lamar County, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2013-001, 2013-002, 2013-003, 2013-004, 2013-007, 2013-008 and 2013-009 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2013-005 and 2013-006 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lamar County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Lamar County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated March 18, 2015, included within this document.

Lamar County's Responses to Findings

Lamar County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lamar County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 18, 2015



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Supervisors
Lamar County, Mississippi

Report on Compliance for the Major Federal Program

We have audited Lamar County, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2013. Lamar County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Lamar County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lamar County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Lamar County, Mississippi's compliance.

Opinion on the Major Federal Program

In our opinion, Lamar County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of Lamar County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lamar County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 18, 2015



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Lamar County, Mississippi

We have examined Lamar County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. The Board of Supervisors of Lamar County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Lamar County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors.

1. Sole source purchases should be authorized and documented in the Board of Supervisors' minutes and included on the Purchase Clerk's schedules.

Section 31-7-13(m), Miss. Code Ann. (1972), requires the Board of Supervisors to authorize and document purchases made noncompetitively from a sole source on its minutes. Also, Section 31-7-115, Miss. Code Ann. (1972), requires the County to provide a schedule of purchases made noncompetitively from a sole source under the authority of Section 31-7-13(m). The Board of Supervisors did not document the approval of a sole source purchase on its minutes and did not include it on the schedule of purchases made noncompetitively from a sole source. The lack of proper approval and documentation could result in unauthorized purchases.

Recommendation

The Board of Supervisors should approve and document in its minutes all purchases made noncompetitively from a sole source and include such purchases on the appropriate schedule.

Board of Supervisors' Response

The Board of Supervisors will implement necessary procedures to document all sole source purchases in its minutes and to include such purchases on the appropriate schedule.

Inventory Control Clerk.

2. Required inventory reports should be filed.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires inventory reports to be filed with the Board of Supervisors, in triplicate with copies forwarded to the Office of the State Auditor no later than October 15th of each fiscal year. The required inventory reports were not prepared by the Inventory Control Clerk. Failure to prepare the annual reports increases the possibility of the loss or misappropriation of public funds and could result in the reporting of inaccurate amounts.

Recommendation

The Inventory Control Clerk should prepare the inventory reports, as required by law.

Inventory Control Clerk's Response

The Inventory Control Clerk will implement necessary procedures to properly submit the required reports to the Board of Supervisors and the Office of the State Auditor no later than October 15th of each fiscal year.

3. Inadequate controls exist over the inventory control system.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory control system. An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include description of assets, costs, locations, acquisition dates, disposition dates, methods of dispositions, and other relevant information. The presence of these data elements in capital asset records help identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation. The information is also very important to the financial reporting process. As reported in the prior four years' audit reports, deficiencies were noted in the capital assets records:

- a. The beginning balance of construction in progress included \$7,528,627 in assets that were considered to be completed in fiscal years 2011 and 2012.
- b. Current year additions to construction in progress totaling \$2,621,269 were not added to the County's capital asset records.
- c. Construction in progress totaling \$2,209,290 was not added to the capital assets records in prior fiscal years 2011 and 2012, thereby resulting in a prior period adjustment.
- d. An emergency management building purchased on September 20, 2013, for \$885,000 was not added to the capital assets records as of fiscal year end.

- e. A community storm shelter constructed during fiscal years 2011 and 2012 totaling \$2,343,322 was not added to the capital assets records. Also, there were several increases to buildings previously recorded as construction in progress in the amount of \$347,025, thereby warranting a net prior period adjustment of \$2,690,347.
- f. Fourteen (14) additions totaling \$1,292,039 were not added to mobile equipment for the current fiscal year. In addition, \$377,585 in mobile equipment was not deleted from the capital assets records.
- g. Numerous mobile equipment assets purchased in fiscal years 2011 and 2012 totaling \$1,352,574 were not added to the County's capital assets records. There were also seven (7) mobile equipment assets that were recorded at incorrect purchase prices creating a reduction in cost of \$60,317. This resulted in a net prior period adjustment of \$1,292,257.
- h. Current year additions to furniture and equipment included eight (8) assets totaling \$205,034 that were not added to the County's capital asset records. Also, one (1) deleted asset in the amount of \$11,494 was not removed from furniture and equipment during the current fiscal year.
- i. Several furniture and equipment assets purchased in fiscal years 2011 and 2012 totaling \$76,399 were not added to the County's capital assets records resulting in a prior period adjustment.
- j. The beginning balance of leased property included \$1,813,846 of capital leases that were paid-off in prior fiscal years, but not reclassified to their proper classifications.
- k. Two (2) capital leases purchased in prior fiscal years in the amount of \$179,718 were not added to the County's capital assets records resulting in a prior period adjustment.
- l. Infrastructure totaling \$3,874,968 was not added to the County's capital assets records for fiscal years 2011 and 2012, resulting in a prior period adjustment.
- m. Accumulated depreciation for buildings was understated by \$153,009. This understatement is related to the community storm shelter and other buildings previously recorded as construction in progress that was completed in prior fiscal years.
- n. Accumulated depreciation for mobile equipment was understated by \$305,945. This understatement is related to the numerous mobile equipment assets not recorded or recorded at incorrect costs on the County's capital assets records in previous years.
- o. Accumulated depreciation for furniture and equipment was understated by \$21,013. This understatement is related to the assets purchased in prior fiscal years, but not added to the County's capital assets records.
- p. Accumulated depreciation for leased property was understated by \$133,389. This understatement is related to two (2) capital leases purchased in prior fiscal years, but not added to the County's capital assets records, as well as additional accumulated depreciation for assets incorrectly depreciated in prior years.
- q. Accumulated depreciation for infrastructure was understated by \$1,789,294. This understatement is related to the assets not recorded to the County's capital assets records in prior years.

Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval. The failure to properly maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss of misappropriation of public funds.

Recommendation

The Inventory Control Clerk should implement appropriate control procedures to ensure that all items are recorded, valued properly and classified correctly in the County's capital asset records. The information listed in the County's capital asset records should be reconciled by all involved department heads through an annual inventory to ensure records are accurate and complete.

Inventory Control Clerk's Response

The Inventory Control Clerk has implemented necessary controls and procedures to ensure that all items are recorded, valued properly and correctly classified in the County's capital asset records.

Purchase Clerk.

4. Two competitive written bids should be obtained when required.

Finding

Section 31-7-13(b), Miss. Code Ann. (1972), provides that purchases which involve an expenditure of more than \$5,000, but not more than \$50,000, exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two competitive written bids have been obtained. We noted in our audit test work that two competitive written bids were not obtained for the purchase of petroleum products with a purchase price greater than \$5,000. Failure to obtain competitive written bids could result in excess costs to the County.

Recommendation

The Purchase Clerk should ensure that at least two competitive written bids are obtained prior to purchasing any items with a cost between \$5,000 and \$50,000, as required by law.

Purchase Clerk's Response

The Purchasing Clerk will implement necessary internal controls to verify that two written quotes are obtained for purchases over \$5,000 but no more than \$50,000.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Lamar County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Lamar County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Lamar County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 18, 2015

LAMAR COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2013

Our test results did not identify any purchases from other than the lowest bidder.

LAMAR COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2013

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
2/14/13	(7) Skid Steer loaders - rental	\$ 3,950	Lyle Machinery	To remove debris resulting from February 2013 tornado.
2/22/13	Caterpillar – rental	7,766	Puckett Machinery	To remove debris resulting from February 2013 tornado.

LAMAR COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2013

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
2/27/13	Repair aerial	\$	6,785	Ferrara Fire Apparatus
5/06/13	Law enforcement supplies		7,741	Drug Testing Program Management, Inc.

LAMAR COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lamar County, Mississippi

In planning and performing our audit of the financial statements of Lamar County, Mississippi for the year ended September 30, 2013, we considered Lamar County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lamar County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated March 18, 2015, on the financial statements of Lamar County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Actual expenditures exceeded budgeted expenditures.

Finding

Section 19-11-17, Miss. Code Ann. (1972), prohibits the incurring of expenditures in excess of the final budget as approved by the Board of Supervisors. Actual expenditures exceeded budgeted amounts in the General Fund and the Countywide Road Maintenance Fund. Failure to approve expenditures in the budget could result in the loss of public funds.

Recommendation

The Board of Supervisors should not incur expenditures in excess of budgeted amounts.

Board of Supervisors' Response

The Board will appropriately amend the budget to actual expenditures in the future.

2. Required documentation should be filed with PERS when hiring PERS service retirees.

Finding

The Mississippi Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss. Code Ann. (1972), counties hiring PERS service retirees to file PERS Form 4B, "Certification/Acknowledgement of Re-employment of Retiree" with the PERS office within five (5) days of employment of a PERS retiree. The County failed to file Form 4B within the required time for one of its employed PERS retirees. Failure to file caused the County to be in noncompliance with legal requirements.

Recommendation

The Board of Supervisors should ensure that the required form is filed with PERS as soon as possible and should implement procedures to ensure that the County files PERS Form 4B, "Certification/Acknowledgement of Re-employment of Retiree" for all retirees rehired by the County within five (5) days of re-employment.

Board of Supervisors' Response

The Human Resources Department will implement necessary procedures to verify that Form 4B is filed with the PERS office within five days of re-employment at retirement.

3. Advertising county resources not made a finding of fact in the board minutes.

Finding

Section 17-3-1, Miss. Code Ann. (1972), allows the Board of Supervisors, in their discretion, to set aside, appropriate and expend moneys, not to exceed one mill of their respective valuation and assessment for the purpose of advertising and bringing into favorable notice the opportunities, possibilities and resources of the county. It does not authorize counties to make unrestricted donations to nonprofit organizations which are primarily engaged in activities other than advertising but which may occasionally participate in advertising the opportunities or resources of the county. Furthermore, Section 17-3-3, Miss. Code Ann. (1972), states that advertising pursuant to Section 17-3-1 shall include newspaper and magazine advertising and literature, publicity, expositions, public entertainment or other form of advertising or publicity, which in the judgment of the Board of Supervisors will be helpful toward advancing moral, financial and other interests of the county. Based upon audit procedures performed, the County made two payments totaling \$100,000 to Oak Grove Warrior Club for advertising county resources that were not made a finding of fact in the board minutes. Failure to independently establish, consistent with fact, and spread upon the board minutes, all expenditures in relation to advertising county resources, could result in the misuse of public funds.

Recommendation

Before authorizing expenditures for the purpose of advertising county resources, the Board of Supervisors should make a factual determination, and spread upon the minutes, that a proposed expenditure will help advance the moral, financial and other interests of the County, as required by law.

Board of Supervisors' Response

The Board of Supervisors will make a factual determination pursuant to 17-3-1 and spread upon the minutes, that a proposed expenditure will bring into favorable notice the opportunities, possibilities, and resources of the county.

4. Lamar County should strengthen passwords.

Finding

During our review, we noted that Lamar County is using some parameters associated with password strength that meet industry standard best practices. However, the County has some password parameters that would not meet these standards, thereby creating unnecessary risk for Lamar County Information Assets.

Recommendation

We recommend that Lamar County improve its password strength by changing password parameters to comply with password management best practices and industry standards.

Board of Supervisors' Response

Lamar County, in the coming months, will implement stronger security policies, including stronger passwords.

5. Lamar County should expire all individual's passwords on a periodic basis.

Finding

A review of Lamar County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by Lamar County.

Recommendation

We recommend that a policy be implemented to ensure that passwords are expired on a regular basis. In addition, Lamar County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response

Lamar County, in the coming months, will implement mandatory password changes on a regular basis (expiring every three months).

6. Lamar County should install network banners on its internal network.

Finding

During our review of Lamar County, we noted that the system did not display appropriate network banners on its internal network. Network banners are electronic messages that provide notice of legal rights to users of computer networks. Bannering assists in the prosecution of computer related incidents by helping prevent certain defenses made by the perpetrator.

Recommendation

We recommend that Lamar County implement appropriate network banners on its internal network.

Board of Supervisors' Response

In the coming months, systems that have the capability will start displaying acceptable use banners. This implementation will begin, but may take some time to fully implement due to the nature of the software/machine type.

Chancery Clerk.

7. Chancery Clerk should cease charging unauthorized land redemption fees.

Finding

Section 27-43-3, Miss. Code Ann. (1972), allows the Chancery Clerk to receive a fee of two dollars (\$2.00) for issuing land redemption notices, a fee of one dollar (\$1.00) for mailing same and noting such action on the tax sales record, and the Sheriff is allowed a fee of four dollars (\$4.00) for serving the notice. Based upon audit procedures performed, the land redemption releases reflect that the Chancery Clerk is receiving four dollars (\$4.00) for issuing the first land redemption notice instead of the two dollars (\$2.00) allowed, as well as an additional unauthorized fee

of one dollar (\$1.00) for courtesy letters sent on land parcels redeemed within 180 days of the expiration of time to redeem property sold for taxes. Failure to only collect fees authorized by state law could result in the misuse of taxpayer's monies.

Recommendation

The Chancery Clerk should only collect authorized fees on land redemption releases, as required by law.

Chancery Clerk's Response

The Chancery Clerk has made necessary changes to bring his office in compliance with Miss. Code Section 27-43-3.

8. Over the cap fees should be settled timely.

Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employees' salaries and related salary expenses, and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be deposited by the Chancery Clerk into the County's General Fund on or before April 15th for the preceding calendar year. The Chancery Clerk exceeded the salary cap by \$27,892 for the 2013 calendar year and did not settle the funds to the County's General Fund until July 24, 2014. Failure to properly settle the amount in excess over the salary cap of \$90,000 by April 15th of each year could result in the loss of public funds.

Recommendation

The Chancery Clerk should ensure that future excess fees are settled to the County's General Fund by April 15th of each year.

Chancery Clerk's Response

On April 15th the Chancery Clerk did not have a sufficient cash balance that would allow him to turn over aforementioned funds to the County and continue to operate his office and pay his employees. On July 24th, 2014 the Chancery Clerk had a sufficient cash balance to operate his office so at that time he turned said funds over to the County. The Chancery Clerk has implemented necessary procedures to bring his office in compliance with Miss. Code Section 9-1-43(1).

Deputy Circuit Clerks.

9. Deputy Circuit Clerks should be bonded as required by state statute.

Finding

Section 9-7-123(2), Miss. Code Ann. (1972), requires that all Deputy Circuit Clerks be bonded for three percent of the prior year's taxes with a minimum of \$50,000 and a maximum of \$100,000. As a result of the audit procedures performed, it was determined that the Deputy Circuit Clerks were not bonded for the fiscal year 2013. Failure to bond Deputy Circuit Clerks as required by law could result in the loss of public funds.

Recommendation

The Deputy Circuit Clerks should execute a bond with a minimum of \$50,000 and a maximum of \$100,000 each, as required by law.

Deputy Circuit Clerks' Response

All deputy clerks were bonded for \$50,000 during fiscal year 2014.

Deputy Tax Assessors.

10. Deputy Tax Assessors should be bonded as required by state statute.

Finding

Section 27-1-3, Miss. Code Ann. (1972), requires each Deputy Tax Assessor to execute a bond for \$10,000. The Deputy Tax Assessors were not bonded for the fiscal year 2013. Failure to bond Deputy Tax Assessors as required by law could result in the loss of public funds.

Recommendation


The Deputy Tax Assessors should execute a bond in the amount of \$10,000 each, as required by law.

Deputy Tax Assessor's Response

The Tax Collector/Assessor will implement necessary procedures to verify all deputies are adequately bonded as required by Section 27-1-13, Miss. Code Ann. (1972).

Lamar County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 18, 2015

LAMAR COUNTY

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LAMAR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAMAR COUNTY

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LAMAR COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Qualified
Aggregate discretely presented component units	Adverse
General Fund	Qualified
Countywide Road Maintenance Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? Yes
3. Noncompliance material to the financial statements noted? No

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness identified? No
 - b. Significant deficiency identified? None reported
5. Type of auditor's report issued on compliance for major federal program: Unmodified
6. Any audit finding(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? No
7. Identification of major programs:

CFDA #97.036, Disaster grants – public assistance (presidentially declared disasters)
8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No

LAMAR COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2013-001. Financial data for component units should be included in the financial statements.

Finding

Generally accepted accounting principles require the financial data for the County's component units be reported with the financial data of the County's primary government unless the County also issued financial statements for the reporting entity that includes the financial data for its component units. As reported in the prior five years' audit reports, the financial statements do not include the financial data for the County's legally separate component units. The failure to follow generally accepted accounting principles resulted in an adverse opinion on the aggregate discretely presented component units' opinion unit.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for inclusion in the County's financial statements.

Board of Supervisors' Response

The Board of Supervisors does not feel that the cost associated with providing financial data for its separate component units outweighs the efforts of accepting an adverse opinion.

Material Weakness

2013-002. Controls over financial statement preparation should be strengthened.

Finding

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures/expenses, proper classification of revenues and expenditures/expenses, proper posting of transactions, proper classification of restricted net position and fund balances, accurate reporting of debt and the inclusion of all required disclosures in the notes to the financial statements. We noted the following deficiencies in the financial statement preparation and reporting:

- a. Justice Court clearing account cash in the amount of \$21,237 was not reported in the financial statements. Justice Court cash for the criminal and civil accounts totaling \$47,893 was incorrectly accrued as intergovernmental payables instead of various revenues.
- b. Beginning petty cash was not reported in the financial statements, which resulted in an understatement of beginning fund balance in the General Fund by \$1,650.
- c. Other receivables were understated by \$53,019 in the General Fund and Governmental Activities' opinion units.

LAMAR COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

- d. Intergovernmental revenues were not accrued for the Federal Emergency Management Agency (FEMA) Disaster Grant, State and Community Highway Safety Grant and Emergency Management Performance Grant. This error resulted in Intergovernmental Receivables and revenues being understated by \$947,934 in the Countywide Road Maintenance Fund and \$54,963 in the General Fund. The Governmental Activities opinion unit was also understated by these amounts.
- e. Economic Development expenditures in the Economic Development Fund in the amount of \$455,974 were incorrectly reported in the financial statements as Conservation of Natural Resources expenditures.
- f. Beginning balances for long-term liabilities were understated by \$12,320 for a capital lease that was omitted from the prior year's financial statements in error. This error resulted in a prior period adjustment. This also resulted in the understatement of principal retirement expenditures and the overstatement of interest expense in the financial statements in the amount of \$6,201 for the Aggregate Remaining Fund Information opinion unit.
- g. Compensated absences were incorrectly reported as general government expenditures in the financial statements, which resulted in general government expenditures being overstated by \$333,089, public safety expenditures being understated by \$213,227, public works expenditures being understated by \$113,590, culture and recreation expenditures being understated by \$463, and economic development expenditures being understated by \$5,809.
- h. Gain or loss on capital assets was computed using incorrect proceeds amount resulting in an audit difference of \$67,740.
- i. Amounts and classifications reported for fund balances for governmental funds on the balance sheet were not correctly classified in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Failure to document calculations, as well as classifications of fund balances resulted in incorrect amounts and classification errors on the balance sheet for governmental funds.
- j. Amounts reported for several net position restrictions on the statement of net position were not correctly classified in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Failure to document calculations of net position restrictions resulted in incorrect amounts being reported on the statement of net position.

Audit adjustments to correct these errors in the County's financial statements and notes to the financial statements were proposed to management and made to the financial statements with management's approval.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures/expenses, proper classification of revenues and expenditures/expenses, proper posting of transactions, proper classification of net position and fund balances, accurate reporting of debt and the inclusion of all required disclosures in the notes to the financial statements.

Board of Supervisors' Response

The Board of Supervisors will implement a system of internal controls over preparation and reporting in accordance with generally accepted accounting principles.

LAMAR COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

Material Weakness

- 2013-003. Liability for postemployment benefits not recorded and note disclosures for postemployment benefits not reported.

Finding

Lamar County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage to active employees and retirees through the County's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as a single employer defined health care plan. GASB Statement No. 45 requires the County to report on an accrual basis the liability associated with other postemployment benefits. The County does not issue a publicly available financial report for its health insurance plan. Also, as reported in the prior four years' audit reports, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The failure to follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities.

Recommendation

The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosure can be made in accordance with accounting principles generally accepted in the United States of America.

Board of Supervisors' Response

The Board of Supervisors does not feel that the cost associated with providing financial data associated with its retirement benefits outweighs the effects of accepting a qualified opinion.

Material Weakness

- 2013-004. The County should establish controls to ensure that adequate subsidiary records are maintained so the Schedule of Expenditures of Federal Awards can be accurately prepared.

Finding

An effective system of internal control over federal grants should include adequate subsidiary records documenting all revenues and expenditures relating to each federal grant received. The County did not report all federal grant expenditures or erroneously included expenditures which were not federal monies on the Schedule of Expenditures of Federal Awards for the year ended September 30, 2013. As a result, several corrections were proposed by the auditor and made by the County to the Schedule of Expenditures of Federal Awards. The failure to accurately complete the Schedule of Expenditures of Federal Awards resulted in several grants, including the County's major federal program, not being included on the original Schedule of Expenditures of Federal Awards. Furthermore, the documentation provided for the major federal program included miscalculations which could have resulted in an overstatement of intergovernmental receivables and intergovernmental revenues.

Recommendation

The County should maintain adequate subsidiary records documenting all revenues and expenditures relating to each federal grant received.

LAMAR COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

Board of Supervisors' Response

The County Administrator and Comptroller will work to see that future Schedule of Expenditures of Federal Awards is properly compiled to assure that all federal grant expenditures are reported.

Significant Deficiency

2013-005. Lamar County should establish and test a disaster recovery process.

Finding

During our review of the information systems controls of Lamar County, we noted that the County has not established a disaster recovery process. As a result, Lamar County cannot fully ensure that the County's Information Systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the agency's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs, and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to recreate.

Lamar County is currently using an automated system to perform daily backups of the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that Lamar County develop, implement and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including Lamar County personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

We also recommend that Lamar County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

Lamar County, in the coming months, will create and maintain a stronger disaster recovery policy. Today, some systems are redundant which allows for a minimum system recovery.

LAMAR COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

Significant Deficiency

2013-006. Lamar County should implement a more robust formal Information Security Policy.

Finding

Lamar County has not adopted a robust Information Security Policy or Enterprise Security Plan. The lack of a robust Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and Internet protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity/Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for Lamar County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that Lamar County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by the Board of Supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors' Response

Currently, Lamar County does have an Acceptable Use Policy. The HR director ensures this is enforced. All new Lamar County users must sign and have signed this policy. Lamar County IT will strengthen this policy in the coming year and will add encryption, backup and recovery, etc.

Circuit Court Clerk.

Material Weakness

2013-007. The Circuit Court Clerk should establish effective controls over fines receivable records.

Finding

An effective system of internal control over fines receivable records should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance. Based on audit procedures performed, management did not maintain and preserve adequate subsidiary records documenting the existence and valuation of fines receivable for Circuit Court fines and the aging of fines receivable as of September 30, 2013. Therefore, the Independent Auditor's Report includes a qualified opinion on the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Circuit Court fines receivable.

LAMAR COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

Recommendation

The Circuit Court Clerk should establish procedures documenting the existence and valuation of Circuit Court fines receivable, including the aging of fines receivable. The Circuit Clerk should also preserve a copy of these records.

Circuit Court Clerk's Response

This will be corrected.

Inventory Control Clerk.

Material Weakness

2013-008. Inadequate controls exist over the inventory control system.

Finding

An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include description of assets, costs, locations, acquisition dates, disposition dates, methods of dispositions, and other relevant information. The presence of these data elements in capital asset records help identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation. The information is also very important to the financial reporting process. As reported in the prior four years' audit reports, deficiencies were noted in the capital assets records:

- a. The beginning balance of construction in progress included \$7,528,627 in assets that were considered to be completed in fiscal years 2011 and 2012.
- b. Current year additions to construction in progress totaling \$2,621,269 were not added to the County's capital asset records.
- c. Construction in progress totaling \$2,209,290 was not added to the capital assets records in prior fiscal years 2011 and 2012, thereby resulting in a prior period adjustment.
- d. An emergency management building purchased on September 20, 2013, for \$885,000 was not added to the capital asset records as of fiscal year end.
- e. A community storm shelter constructed during fiscal years 2011 and 2012 totaling \$2,343,322 was not added to the capital assets records. Also, there were several increases to buildings previously recorded as construction in progress in the amount of \$347,025, thereby warranting a net prior period adjustment of \$2,690,347.
- f. Fourteen (14) additions totaling \$1,292,039 were not added to mobile equipment for the current fiscal year. In addition, \$377,585 in mobile equipment was not deleted from the capital assets records.
- g. Numerous mobile equipment assets purchased in fiscal years 2011 and 2012 totaling \$1,352,574 were not added to the County's capital assets records. There were also seven (7) mobile equipment assets that were recorded at incorrect purchase prices creating a reduction in cost of \$60,317. This resulted in a net prior period adjustment of \$1,292,257.
- h. Current year additions to furniture and equipment included eight (8) assets totaling \$205,034 that were not added to the County's capital asset records. Also, one (1) deleted asset in the amount of \$11,494 was not removed from furniture and equipment during the current fiscal year.

LAMAR COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

- i. Several furniture and equipment assets purchased in fiscal years 2011 and 2012 totaling \$76,399 were not added to the County's capital assets records resulting in a prior period adjustment.
- j. The beginning balance of leased property included \$1,813,846 of capital leases that were paid-off in prior fiscal years, but not reclassified to their proper classifications.
- k. Two (2) capital leases purchased in prior fiscal years in the amount of \$179,718 were not added to the County's capital assets records resulting in a prior period adjustment.
- l. Infrastructure totaling \$3,874,968 was not added to the County's capital assets records for fiscal years 2011 and 2012, resulting in a prior period adjustment.
- m. Accumulated depreciation for buildings was understated by \$153,009. This understatement is related to the community storm shelter and other buildings previously recorded as construction in progress that was completed in prior fiscal years.
- n. Accumulated depreciation for mobile equipment was understated by \$305,945. This understatement is related to the numerous mobile equipment assets not recorded or recorded at incorrect costs on the County's capital asset records in previous years.
- o. Accumulated depreciation for furniture and equipment was understated by \$21,013. This understatement is related to the assets purchased in prior fiscal years, but not added to the County's capital asset records.
- p. Accumulated depreciation for leased property was understated by \$133,389. This understatement is related to two (2) capital leases purchased in prior fiscal years, but not added to the County's capital asset records, as well as additional accumulated depreciation for assets incorrectly depreciated in prior years.
- q. Accumulated depreciation for infrastructure was understated by \$1,789,294. This understatement is related to the assets not recorded to the County's capital asset records in prior years.

Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval. The failure to properly maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss of misappropriation of public funds.

Recommendation

The Inventory Control Clerk should implement appropriate control procedures to ensure that all items are recorded, valued properly and classified correctly in the County's capital asset records. The information listed in the County's capital asset records should be reconciled by all involved department heads through an annual inventory to ensure records are accurate and complete.

Inventory Control Clerk's Response

The Inventory Control Clerk has implemented necessary controls and procedures to ensure that all items are recorded, valued properly and correctly classified in the County's capital asset records.

LAMAR COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Justice Court Clerk.

Material Weakness

2013-009. The Justice Court Clerk should establish effective controls over fines receivable records.

Finding

An effective system of internal control over fines receivable records should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance. Based upon audit procedures performed, management did not maintain and preserve adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court fines and the aging of fines receivable as of September 30, 2013. Therefore, the Independent Auditor's Report includes a qualified opinion on the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.

Recommendation

The Justice Court Clerk should establish procedures documenting the existence and valuation of Justice Court fines receivable, including the aging of fines receivable. The Justice Court Clerk should also preserve a copy of these records.

Justice Court Clerk's Response

I, Sandra Owen, Justice Court Clerk, have read the findings of the State Auditor and have implemented a new policy and will comply with state law.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.

LAMAR COUNTY

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